REGION I
FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS
JANUARY 1, 2001 TO DECEMBER 31, 2001

HIGHLIGHTS

This report highlights the conditions and trends of Region I credit unions at year-end 2001. A weakening economy and the negative ramifications of the September 11th tragedy contributed to some downward trends for the region's 1,275 credit unions. While credit unions in the region continue to be financially strong, they have been affected by the economic events of 2001. Net worth and earnings ratios are beginning to show signs of deterioration due to strong asset growth and a declining interest rate environment, respectively. Delinquency and bankruptcy filings are both on the rise.

The region continues to provide opportunities for credit unions to expand membership and those credit unions are providing necessary services to thousands more members than in 2000.

The conditions and trends include the following:

- ✯ Assets increased to $57 billion;
- ✯ Loans increased to $35.2 billion. Loans represent 61.2 percent of total assets;
- ✯ Investments increased to $15.7 billion. Investments represent 27.4 percent of total assets;
- ✯ Shares increased to $49.2 billion, with non-member deposits increasing to $79.6 million;
- ✯ Net Worth represents 11.65 percent of total assets. This is a decline from 12.28 percent in 2000. The decline is mainly due to asset growth exceeding net worth growth. Actual dollar volume net worth grew by $511 million;
- ✯ Delinquency grew by $41.3 million to .74 percent of total loans;
- ✯ Profitability, while still strong, showed a marked decline of return on average assets from 1.08 percent in 2000 to the current 0.96 percent;
- ✯ Liquidity remains positive, while borrowings increased from 1.91 percent of total shares and capital in 2000 to 2.20 percent currently;
- ✯ Field of membership expansions totaled 1,659 for a total increase in membership of 311,962 potential members; and
- ✯ Approval of requests to add underserved areas totaled 19 with a total added population of 754,548.

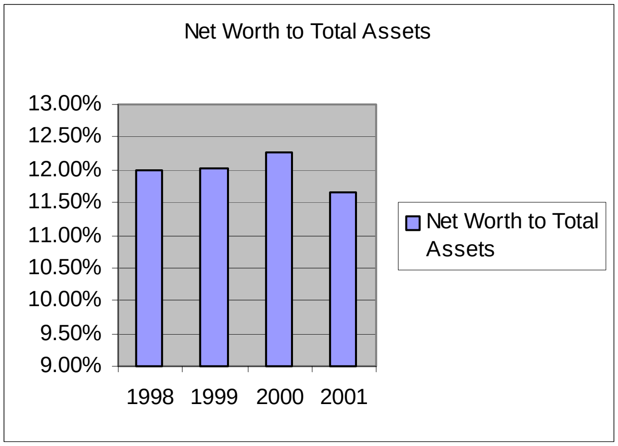
The following table recaps percentage growth rates for key balance sheet components:

Category	% Growth
Assets	14.11
Loans	8.64
Investments	25.04
Shares	14.56
Net Worth	8.22

NET WORTH[1]

The region's net worth ratio of 11.65 percent remains higher than the national average of 10.84 percent. While the region's credit unions' net worth grew by 8.22 percent, strong asset growth of 14.11 percent diluted the effect of otherwise strong net worth accumulation.

[1] Since implementation of PCA in August, 2000, NCUA measures capital adequacy by evaluating net worth.

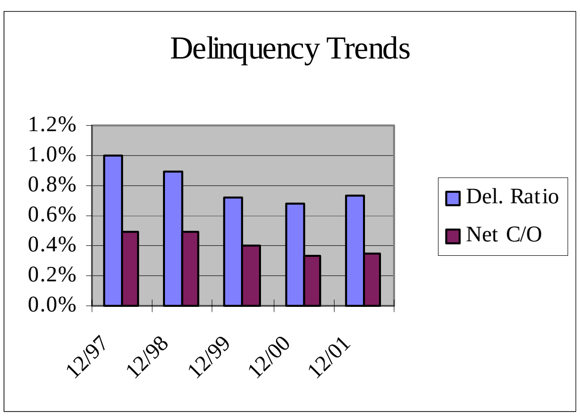


ASSET QUALITY

Total loans increased by 8.64 percent, down from 2000's growth rate of 10.72 percent. Investments increased significantly by 25.04 percent.

The delinquent loan and net charge-off levels are rising, reflecting the effects of the negative economic events of 2001.

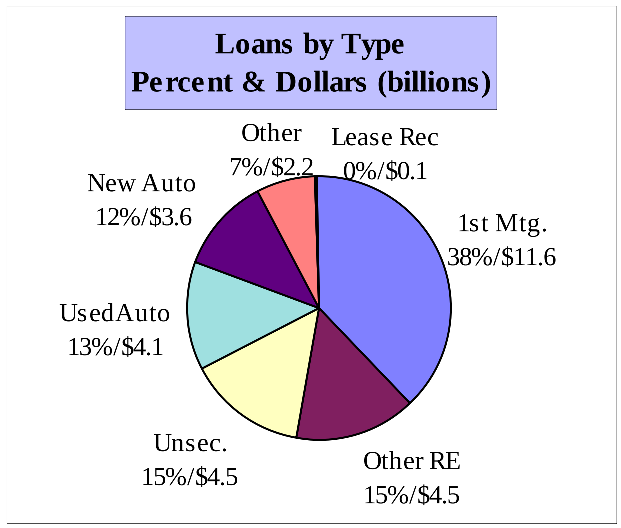
The delinquent loans to total loans ratio increased to 0.74 percent, compared to the national ratio of 0.85 percent. The region's ratio of net charge offs to average loans also increased slightly to 0.35 percent, and is below the national ratio of 0.46 percent.



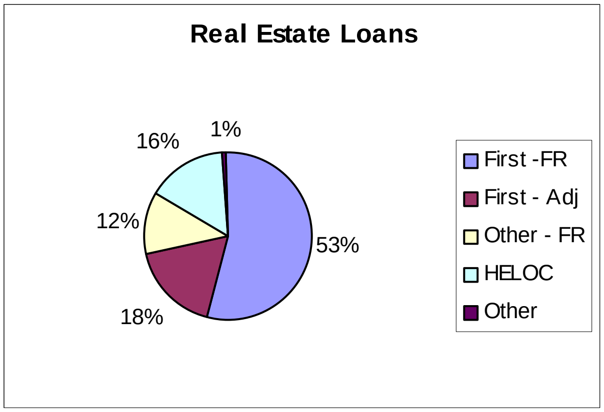
The amount of loans subject to bankruptcy increased by $16.4 million, or 38 percent. The national trend in bankruptcy filings is clearly indicated here. Rising unemployment figures and high levels of consumer debt contributed to this increase.

Loan Trends: First mortgage real estate loans increased 16.1 percent to $13.7 billion. Other real estate loans also grew by 12.24 percent to $5.5 billion. New auto loans declined by 2.2 percent, possibly as a result of auto dealers' aggressive low or zero percentage rate financing promotions during 2001. Used auto loans increased 13.4 percent. Leases Receivable increased 18.7 percent to $85.8 million reflecting a continued increase in automobile leasing.

Below is the breakdown of loans by type:

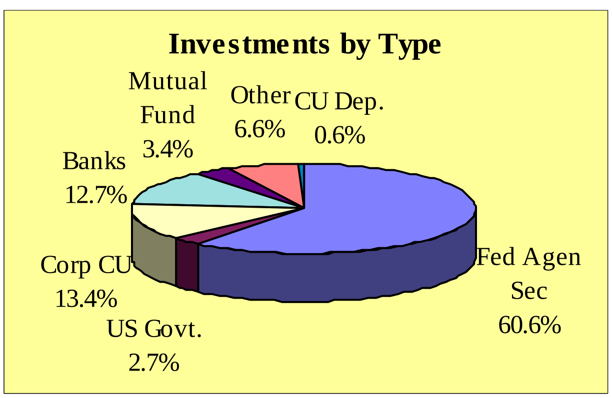


Real estate loans of $19.3 billion comprise 54.6 percent of all loans in the region, compared to 40.8 percent nationally. The largest growth came in first mortgages, which now total $13.7 billion. Continued low fixed interest rates and a booming housing market in most of the region fueled this increase. The amount of first mortgage real estate loans sold on the secondary market showed a marked increase of 218 percent to $1.5 billion. Nationally, real estate loans sold increased by 179 percent. The significant increase in loans sold further reflects the increase in member demand.

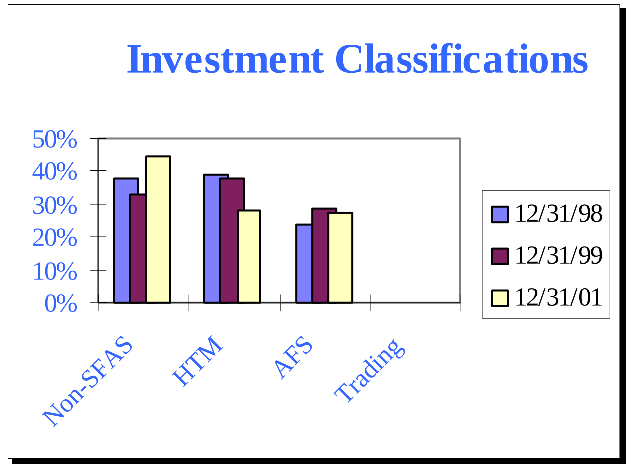


Investment Trends: Investments increased by 19.5 percent to $15.8 billion. While all investment types increased, the largest increase in dollars - $1.1 billion - was in Federal Agency Securities. Investments in Banks/S&Ls, Corporate credit unions and Mutual Funds increased $530 million, $206 million and $315 million respectively. Other investments increased by $302 million.

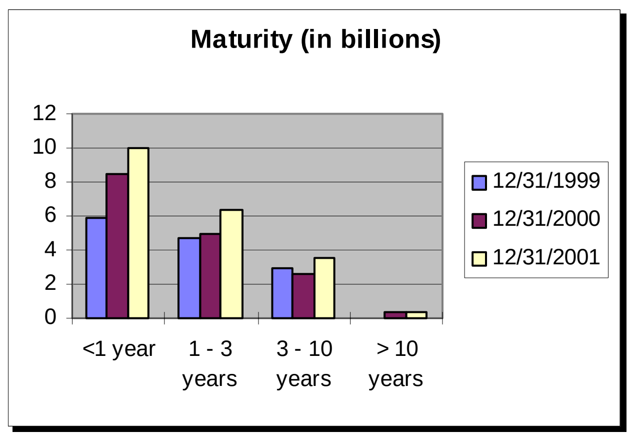
US Government Obligations showed the smallest increase.



The trading category of investments increased by 311 percent, to $7.4 million, reflecting a movement by credit unions to participate more actively in trading activities. The inability to get a higher yield from more conservative investments inspired some investors to take on the additional risks of trading to obtain a higher yield. Despite the increase, trading investments are an insignificant percentage of total investment dollars. Held to maturity investments remained stable, while available for sales investments increased 48.7 percent to $5.6 billion. Non-SFAS investments exhibited a significant increase of 34.1 percent to $8.9 billion.

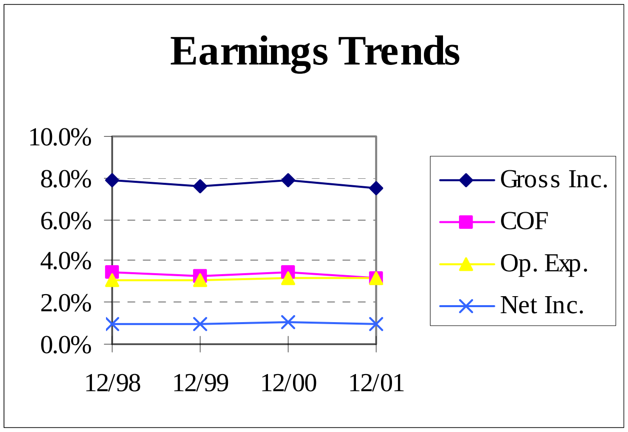


Short term (less than one year) investments increased 19.3 percent to 10 million. Investments 1-3 years and 3-10 years increased 28.7 and 36.8 percent respectively to $6.3 billion and $3.5 billion.



EARNINGS

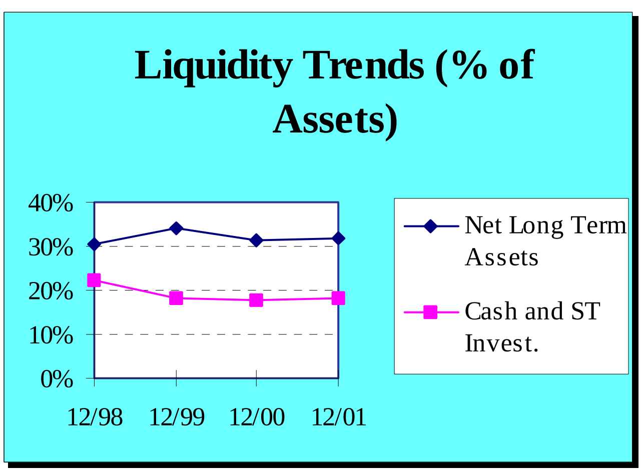
Region I credit unions continue to report a strong return on average assets of 0.96 percent. This is a decline from 2000's 1.08 percent and is on par with the national average of 0.96 percent.



The yield on assets declined from 7.85 percent in 2000 to 7.57 percent while cost of funds and operating expenses remained virtually unchanged at 3.2 and 3.1 percent respectively. Declining interest rates on loan and investment products negatively affected the yield on assets and will continue to do so in the current interest rate environment.

LIQUIDITY

The net long-term assets to total assets ratio increased slightly to 31.94 percent. Region I continues to exceed the national ratio of net long-term assets, which was 23.1 percent. This is due to the region's higher level of real estate and member business loans.

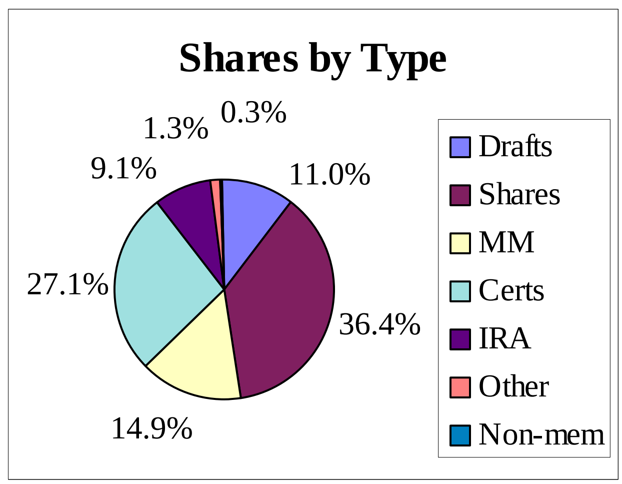


Cash plus short-term investments as a percentage of assets increased from 17.67 percent to 18.39 percent.

Shares increased by $6.3 billion to $49.2 billion. Growth in all types of share products contributed to the overall growth in shares. The largest dollar increase occurred in regular shares which increased $2.2 billion to $17.9 billion. A combination of the increase in potential members due to charter expansions and the move by consumers to place more money in stable investment and savings products contributed to this increase.

Share Trends: Below is the distribution:

Share Type	*Amount (billions)*	*% change last 6 mos.*
Drafts	$5.4	10.5%
Regular	17.9	13.8%
Money Mkt	7.3	37.1%
Certificates	13.3	10.0%
IRA/Keogh	4.5	6.8%
Other	0.6	14.5%
Non-member	0.1	10.7%
TOTAL	$49.2	14.6%



Borrowing Trends: Total borrowings increased 363 percent to $1.2 billion. The total cost of borrowing declined 1.8 percent to $52.6 million, reflecting the lower interest rates available for borrowing.

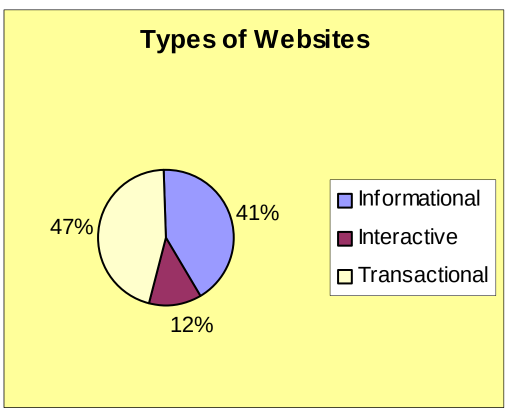
Loan to Share Trends: The loan to asset ratio and the loan to share ratio both declined to 61.2 and 71.7 percent respectively. While loan dollar volume actually increased by $2.8 billion dollars, both assets and shares increased at a faster rate than loans, causing these ratios to decline.

PROMPT CORRECTIVE ACTION

As of December 31, 2001, the region has 16 credit unions that are designated "undercapitalized" or below with total assets of $89 million. The remainder of the region's credit unions are deemed "adequately capitalized" or "well capitalized".

E-COMMERCE

Over 43 percent of the credit unions in the region have websites. This is an increase of 13% from 2000. Of the 558 credit unions reporting websites, the following is a breakdown by type of website and percentage:



FIELD OF MEMBERSHIP

Region I continues to assist credit unions in providing credit union services to a growing number of consumers through field of membership expansions. The region approved 1,659 field of membership expansion requests in 2001. This resulted in adding 311,962 new potential members. While this is slightly below 2000's number of expansion requests, the number of potential members added exceeded 2000's figures by 109,309.

The region approved 18 community charter conversions, with 10 pending at year-end. Of 16 community charter expansion requests received, the region approved 13 with the remainder pending. Forty-four mergers were approved in 2001 and five federal to state charter conversions occurred. The region received one new charter application. In 2001 there were three voluntary liquidations, one involuntary liquidation and one purchase and assumption.

There were 19 approved requests to add underserved areas in 2001 resulting in a total population of 154,615.

SEPTEMBER 11, 2001

On September 11, 2001, the nation experienced a great tragedy with the terrorist destruction of the World Trade Center (WTC) and the Pentagon and the crashing of four commercial airplanes. This resulted in a devastating loss of life to thousands of individuals.

As New York City falls within the Region, the potential for physical danger to NCUA staff and regional credit unions was possible. Regional staff quickly developed a plan to ensure the safety of the staff and assist credit unions in need.

All field staff were accounted for with no physical injuries resulting from the disaster, though several staff members were in or around the NYC area on September 11th. There were several credit unions in or around the World Trade Center but all employees managed to escape the offices before any physical harm occurred. Four credit unions lost offices due to the collapse of the World Trade Center and other surrounding buildings.

Region I is tracking the performance of 13 credit unions that had the potential to be effected by the September 11th tragedy. The total assets of these credit unions exceed $2 billion. This includes taxi, airline and municipal employee credit unions.

Although taxi usage has dropped and several airlines have experienced bankruptcies and layoffs, these credit unions appear to have weathered the effects of

the WTC disaster successfully. None of the credit unions reported any major operational or financial problems and delinquency and charge offs are under control.

SUMMARY

The region's credit unions remain strong, but are showing some negative trends due to general economic decline in the nation. The national economy has weakened and interest rates remain low. These factors, combined with increased competition from traditional and nontraditional financial service providers will present credit union management with significant challenges going forward.